

2013 DRAFTING REQUEST

Assembly Amendment (AA-AB40)

Received: **6/4/2013** Received By: **mshovers**
Wanted: **As time permits** Same as LRB:
For: **Legislative Fiscal Bureau 7-7597** By/Representing: **Olin (RR)**
May Contact: Drafter: **mshovers**
Subject: **Tax, Individual - income** Addl. Drafters:
Extra Copies:

Submit via email: **YES**
Requester's email: **Legislative Fiscal Bureau**
Carbon copy (CC) to:

Pre Topic:

LFB:.....Olin (RR) -

Topic:

Omnibus tax proposal; reduce individual income tax rates

Instructions:

See attached.

Drafting History:

<u>Vers.</u>	<u>Drafted</u>	<u>Reviewed</u>	<u>Typed</u>	<u>Proofed</u>	<u>Submitted</u>	<u>Jacketed</u>	<u>Required</u>
/?	mshovers 6/4/2013			_____			
/1		jdye 6/5/2013	rschluet 6/5/2013	_____	sbasford 6/5/2013		

FE Sent For:

<END>

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Instructions:

See attached. Also see SB 147, (LRB 1000/2) and a03431

Drafting History:

Vers. Drafted Reviewed Typed Proofed Submitted Jacketed Required

/? mshovers

11 MES 6/4/13 6/5/13

FE Sent For:

<END>

revenues of \$3,700,000 in 2013-14 and \$12,500,000 in 2014-15. Compared to the bill, reduce estimated tax revenues by \$2,857,900 in 2013-14 and \$3,500,000 in 2014-15.

7. *Jobs Tax Credit (Paper #287)*. Adopt the modification in Paper #287, which would estimate total expenditures for the refundable jobs credit at \$12,000,000 GPR in 2013-14 and \$18,000,000 in 2014-15. Compared to the bill, reduce funding by \$5,000,000 GPR in 2013-14 and increase funding by \$1,000,000 GPR in 2014-15.

8. *Enterprise Zones Tax Credits (Paper #288)*. Adopt the modification in Paper #288, which would estimate total expenditures for the refundable enterprise zones credit program at \$40,000,000 GPR in 2013-14 and \$51,200,000 in 2014-15. Compared to the bill, reduce funding by \$4,400,000 GPR in 2013-14.

9. *Dairy Manufacturing Facility Tax Credit*. Reestimate the cost of the dairy manufacturing facility investment credit for cooperatives at \$200,000 GPR in 2013-14, which is a reduction of \$500,000 GPR compared to AB 40. [As noted below, the motion would repeal the credit beginning in tax year 2014.]

OTHER MODIFICATIONS

Individual Income Tax

Wisconsin Adjusted Gross Income (AGI). Beginning in tax year 2014, adopt the federal tax treatment regarding the following items under the state individual income tax: (a) farmland preservation grants; (b) farm loss limits; (c) capital gains on small business stock; (d) the basis of assets and partnership interests; (e) payments for all-terrain vehicle corridors; and (f) net operating losses.

Exclusion for Armed Forces Members Who Die While on Active Duty. Create an individual income tax exclusion for income received by an individual who is on active duty in the U.S. armed forces, as defined under federal law, and who dies while on active duty if the individual's death occurred while he or she was serving in a combat zone or as a result of wounds, disease, or injury incurred while serving in a combat zone, effective for taxable years beginning after December 31, 2012. Extend the exclusion to income received by the individual in the year of death and in the year immediately preceding that year if the individual has not filed an income tax return for the year before the year of death.

Tax Rates (Paper #280). Beginning in tax year 2013, reduce the top income tax rates from 4.60%/6.15%/6.5%/6.75%/7.75% under current law to 4.40%/5.84%/6.27%/6.27%/7.65%. Table 1 shows individual income tax rates under current law, AB 40 as introduced by the Governor, and this motion.

TABLE 1

**Individual Income Tax Rates
Tax Year 2014***

<u>Taxable Income</u>	<u>Current Law</u>	<u>Governor</u>	<u>Motion</u>
Up to \$14,510	4.60%	4.50%	4.40%
\$14,510 to \$29,020	6.15	5.94	5.84
\$29,020 to \$217,630	6.50	6.36	6.27
\$217,630 to \$319,460	6.75	6.75	6.27
\$319,460 and over	7.75	7.75	7.65

* Tax brackets are for married-joint filers and estimated using the current inflation estimate.

Sales Tax Nexus; Minimum Tax; Income Tax Rate Reductions. Specify that additional sales and use tax revenues resulting from any federal law change that expands the state's ability to require out-of-state sellers to collect and remit sales and use taxes on remote sales to Wisconsin residents be used first to eliminate the alternative minimum tax and then to further reduce income tax rates.

Require DOR to determine how much additional sales and use tax revenue was collected by the state as a result of any federal legislation to expand the state's authority to require out-of-state retailers to collect and remit sales and use taxes on purchases by Wisconsin residents during the first 12 months following the date on which the state begins collecting additional taxes due to the federal law change.

After DOR prepares the estimate of additional sales and use tax revenue, require the Department to determine how much the individual income tax rates could be reduced in the following taxable year so that the alternative minimum tax would be eliminated and income tax revenues would decrease by an amount equal to the estimated increased sales and use tax revenues. Specify that the tax rate reductions must be calculated in proportion to the share of gross tax attributable to each of the five tax brackets in effect during the most recently completed taxable year.

After DOR has prepared these estimates and tax rate calculations, require the Department to certify the revenue estimates and new tax rates to the Secretary of the Department of Administration (DOA), the Governor, and the Legislature; and the specify that elimination of the alternative minimum tax and the new tax rates would take effect in the taxable year beginning after DOR's certification.

Repeal Working Families Credit. Beginning in tax year 2014, repeal the working families credit.

Increase Historic Rehabilitation Credit. Beginning in tax year 2013, increase the percentage of the state supplement to the federal historic rehabilitation tax credit from 5% to 10%.



State of Wisconsin
2013 - 2014 LEGISLATURE



LRBb0298/1

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LFB:.....Olin (RR) – Omnibus tax proposal; reduce individual income tax rates

FOR 2013-2015 BUDGET — NOT READY FOR INTRODUCTION

ASSEMBLY AMENDMENT ,

TO ASSEMBLY BILL 40

D-NOTE

1 At the locations indicated, amend the bill as follows:

2 1. Page 649, line 9: delete “4.5 percent”[✓] and substitute “4.40 percent”.

3 2. Page 649, line 10: delete “5.94 percent”[✓] and substitute “5.84 percent”[✓].

4 3. Page 649, line 12: delete “\$112,500, 6.36” and substitute “\$225,000, 6.27”[✓].

5 4. Page 649, line 14: delete lines 14 to 16[✓] and substitute: ^{text: treat} “(d) On all taxable
6 income exceeding \$225,000, 7.65 percent.”[✓]

7 5. Page 650, line 1: delete “4.5 percent”[✓] and substitute “4.40 percent”.

8 6. Page 650, line 2: delete “5.94” and substitute “5.84”[✓].

9 7. Page 650, line 4: delete “\$150,000, 6.36” and substitute “\$300,000, 6.27”[✓].

1 8. Page 650, line 6: delete lines 6 to 8 and substitute: "4. On all taxable income
2 exceeding \$300,000, 7.65 percent."

3 9. Page 650, line 12: delete "4.5 percent" and substitute "4.40 percent".

4 10. Page 650, line 13: delete "5.94" and substitute "5.84".

5 11. Page 650, line 15: delete "\$75,000, 6.36" and substitute "\$150,000, 6.27".

6 12. Page 650, line 17: delete lines 17 to 19 and substitute: "4. On all taxable
7 income exceeding \$150,000, 7.65 percent."

8 13. Page 651, line 1: delete "(a) to (c)" and substitute "(a) and (b)".

9 14. Page 651, line 2: delete "(i) 1. to 3., and (j) 1. to 3." and substitute "(i) 1.
10 and 2., and (j) 1. and 2."

11 15. Page 651, line 25: delete "(1q) (d)" and substitute "(1q) (c)".

12 16. Page 652, line 1: delete "4., and (j) 4." and substitute "3., and (j) 3."

13 17. Page 652, line 1: delete "(1q) (e)" and substitute "(1q) (d)".

14 18. Page 652, line 2: delete "5., and (j) 5." and substitute "4., and (j) 4."

15 (END)

note

DRAFTER'S NOTE
FROM THE
LEGISLATIVE REFERENCE BUREAU

date

LRBb0298/1dn

MES~~...~~...

jld

Rick Olin:

The motion did not specify how the indexing provisions in s. 71.06 (2e) (a) and (b) should be modified. Does the amendment reflect your intent? ✓

Marc E. Shovers
Managing Attorney
Phone: (608) 266-0129
E-mail: marc.shovers@legis.wisconsin.gov

**DRAFTER'S NOTE
FROM THE
LEGISLATIVE REFERENCE BUREAU**

LRBb0298/1dn
MES:jld:rs

June 5, 2013

Rick Olin:

The motion did not specify how the indexing provisions in s. 71.06 (2e) (a) and (b) should be modified. Does the amendment reflect your intent?

Marc E. Shovers
Managing Attorney
Phone: (608) 266-0129
E-mail: marc.shovers@legis.wisconsin.gov



State of Wisconsin
2013 - 2014 LEGISLATURE



LRBb0298/1
MES:jld:rs

LFB:.....Olin (RR) – Omnibus tax proposal; reduce individual income tax rates

**FOR 2013-2015 BUDGET -- NOT READY FOR INTRODUCTION
ASSEMBLY AMENDMENT ,
TO ASSEMBLY BILL 40**

- 1 At the locations indicated, amend the bill as follows:
- 2 **1.** Page 649, line 9: delete “4.5 percent” and substitute “4.40 percent”.
- 3 **2.** Page 649, line 10: delete “5.94” and substitute “5.84”.
- 4 **3.** Page 649, line 12: delete “\$112,500, 6.36” and substitute “\$225,000, 6.27”.
- 5 **4.** Page 649, line 14: delete lines 14 to 16 and substitute:
- 6 “(d) On all taxable income exceeding \$225,000, 7.65 percent.”.
- 7 **5.** Page 650, line 1: delete “4.5 percent” and substitute “4.40 percent”.
- 8 **6.** Page 650, line 2: delete “5.94” and substitute “5.84”.
- 9 **7.** Page 650, line 4: delete “\$150,000, 6.36” and substitute “\$300,000, 6.27”.
- 10 **8.** Page 650, line 6: delete lines 6 to 8 and substitute:

1 “4. On all taxable income exceeding \$300,000, 7.65 percent.”.

2 **9.** Page 650, line 12: delete “4.5 percent” and substitute “4.40 percent”.

3 **10.** Page 650, line 13: delete “5.94” and substitute “5.84”.

4 **11.** Page 650, line 15: delete “\$75,000, 6.36” and substitute “\$150,000, 6.27”.

5 **12.** Page 650, line 17: delete lines 17 to 19 and substitute:

6 “4. On all taxable income exceeding \$150,000, 7.65 percent.”.

7 **13.** Page 651, line 1: delete “(a) to (c)” and substitute “(a) and (b)”.

8 **14.** Page 651, line 2: delete “(i) 1. to 3., and (j) 1. to 3.,” and substitute “(i) 1.
9 and 2., and (j) 1. and 2.,”.

10 **15.** Page 651, line 25: delete “(1q) (d)” and substitute “(1q) (c)”.

11 **16.** Page 652, line 1: delete “4., and (j) 4.,” and substitute “3., and (j) 3.,”.

12 **17.** Page 652, line 1: delete “(1q) (e)” and substitute “(1q) (d)”.

13 **18.** Page 652, line 2: delete “5., and (j) 5.,” and substitute “4., and (j) 4.,”.

14 (END)